

SEC45-B

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
)
) File No. HO-13388-A
KIK INTERACTIVE)
)

SUBJECT: Kin Fireside Chat at TechCrunch Shenzhen

PAGES: 1 through 29

AUDIO TRANSCRIPTION

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1 PROCEEDINGS
 2 Tuesday, June 20, 2017
 3 ANNOUNCER: (Speaks in Chinese.) (In English):
 4 So, our next guest is the founder and CEO of Kik. He
 5 will be talking about their latest take on cryptocurrency
 6 and ICO. That is, initial coin offering. So, let's
 7 welcome Ted Livingston, and our moderator Jon Russell
 8 from TechCrunch.
 9 JON RUSSELL: Hey, Ted.
 10 TED LIVINGSTON: Hey. How's it going?
 11 JON RUSSELL: How are you doing?
 12 TED LIVINGSTON: I am pretty good. I'm excited
 13 to be here.
 14 JON RUSSELL: What are you doing here in China?
 15 TED LIVINGSTON: (Laughs). I'm here to talk to
 16 you.
 17 JON RUSSELL: Okay, okay. So the last time
 18 that we spoke on stage was in the US. 18 months ago,
 19 right?
 20 TED LIVINGSTON: Yes.
 21 JON RUSSELL: So, what's been going on with
 22 you? What's new with you? In fact, let's just start,
 23 actually -- because the audience might not know what --
 24 what Kik is. So let's tell the audience what Kik
 25 actually is.

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1 TED LIVINGSTON: Yeah. So, Kik is one of the
 2 largest chat apps in the United States. We're, like, a
 3 top 100 app overall free. And the reason people really
 4 like Kik is not so much as, like, a chat utility, a way
 5 to replace SMS; but it's more a chat community. So it's
 6 a place to go hang out with your friends and also make
 7 new friends.
 8 And just, like, a little interesting anecdote
 9 -- so we launched Kik in 2010, and it went viral: zero to
 10 a million users in 15 days, a million to 2 million users
 11 in seven days. And it actually went viral through China
 12 as well. And a couple years later the New York Times
 13 asked Tencent, you know, hey, you guys, you guys launched
 14 Wei Xin, but you already had QQ. Like, how did you know
 15 to launch Wei Xin when you already had a messenger? And
 16 they actually said, it's when we saw Kik go viral in
 17 China in 2010 that we decided we needed our own mobile-
 18 first messenger.

19 JON RUSSELL: So, basically, Tencent copied
 20 your app, is what you're saying?

21 TED LIVINGSTON: I didn't say that.

22 JON RUSSELL: (Laughs).

23 TED LIVINGSTON: (Laughs).

24 JON RUSSELL: Well, the reason why Ted is
 25 probably not going to say that is because Tencent

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1 actually is an investor in your -- in your company,
 2 right? So you've gone from being, like, cloned to being
 3 part of the -- part of the Tencent family, I guess,
 4 right?
 5 TED LIVINGSTON: Yeah. So, Tencent invested,
 6 about a year and a half ago, \$50 million into Kik at a
 7 billion dollar valuation, which was pretty cool.
 8 JON RUSSELL: Unicorn.
 9 TED LIVINGSTON: Yeah, Unicorn.
 10 JON RUSSELL: Tech Unicorn.
 11 TED LIVINGSTON: Just barely. Barely. And I
 12 think the reason that we were excited about it, and they
 13 were excited about it is, we had both -- we've gotten to
 14 know each other over the years. You know, there was only
 15 a few companies that were sort of on the cutting edge of
 16 chat, and we had both taken different strategies, but had
 17 converged on official accounts and bots as the killer way
 18 to deliver a platform through chat.

19 And so we were excited about that, and they
 20 were excited about that, and that's where they said, you
 21 know what, we'd love to help you guys take on these big
 22 companies in the Western world. You know, we've learned
 23 a lot. We also have the capital. So, what do you think
 24 about a \$50 million investment? And we were really
 25 excited about that.

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1 JON RUSSELL: And you said, can we do a
 2 unicorn? And they were like, sure, right? Is that how
 3 that happened?

4 TED LIVINGSTON: Yeah. It's as easy as that.

5 JON RUSSELL: Billion dollar --

6 TED LIVINGSTON: As easy as that.

7 JON RUSSELL: That easy. So I think before we
 8 get into the ICO part of it, I'm just kind of curious to
 9 talk to you -- and we've been around the show, and you
 10 were, like, scanning some codes here and there, and
 11 trying things out. As a company that's not -- that's not
 12 based here, but obviously you have an investor here, and
 13 you're looking at the -- at the -- trends that are
 14 happening here, how is it that you -- that you take
 15 what's working here and you actually bring it back, you
 16 know, to your office, and you build it into your -- into
 17 the -- the products that you have?

18 What's the actual process? I mean, do you have
 19 a team that comes out here a lot? Do you -- do you talk
 20 to Tencent a lot? Do you personally come out here a lot?

21 TED LIVINGSTON: So, I come out here a decent
 22 amount, but I think the thing that gets us really excited
 23 about China, and really excited about Wei Xin and WeChat
 24 is just the potential for chat to become the central hub
 25 of daily life. That's been the vision of Kik since day

<p style="text-align: center;">Page 6</p> <p>1 one. We were the first chat app in the world, actually, 2 mobile chat app, to become a platform, launch a set of 3 native API's back in 2011. Then we had a web platform, 4 and now the bot platform.</p> <p>5 And we always had this vision that one day 6 you'd be able to walk around and just scan anything, and 7 then right away, be able to interact and transact with 8 that thing, whether it's a restaurant, or renting a bike, 9 or, you know, battery charging. And so that's always 10 been our vision, and I actually wrote a post in 2014 11 called, "The Race to be the WeChat of the West." And 12 that's really when Tencent came in and decided to invest. 13 And so, I think for us, you know, Tencent's just an 14 inspiration --</p> <p>15 JON RUSSELL: Now, wait, hang on. They -- they 16 invested in you because you wrote a post that said, "the 17 WeChat of the West," is that -- I mean, it's literally 18 that easy, right?</p> <p>19 TED LIVINGSTON: It was a \$50 million post. 20 They loved it. Now, I -- I think --</p> <p>21 JON RUSSELL: Billion dollar value post, 22 actually.</p> <p>23 TED LIVINGSTON: I think the cool thing was, it 24 was just us saying, listen -- trying to explain to the 25 Western audience very early just how important what was</p>	<p style="text-align: center;">Page 8</p> <p>1 right? So -- so just tell us, like, what actually is an 2 ICO?</p> <p>3 TED LIVINGSTON: So, an ICO -- initial coin 4 offering -- or as we call it, a token distribution event 5 -- the thing that's really exciting about it is, it's a 6 fundamentally new way to monetize the consumer community.</p> <p>7 JON RUSSELL: Can -- can you explain it in more 8 -- in more basic terms? Like, what -- I mean, what 9 actually is it? Without going into, like, the -- the 10 theories and kind of big terms --</p> <p>11 TED LIVINGSTON: So, I think -- like, a token 12 distribution event at its most basic level is a way to 13 raise funding.</p> <p>14 JON RUSSELL: Right. Okay.</p> <p>15 TED LIVINGSTON: So it's a way to get money 16 into a company. But I think --</p> <p>17 JON RUSSELL: Does that -- does that mean that 18 you're doing it because you can't get money from 19 investors?</p> <p>20 TED LIVINGSTON: No. I think it's actually 21 beautiful. So we've raised \$120 million from investors 22 over the years --</p> <p>23 JON RUSSELL: Right.</p> <p>24 TED LIVINGSTON: But I think what's exciting 25 about a cryptocurrency is, for us, it's been very hard to</p>
<p style="text-align: center;">Page 7</p> <p>1 happening in China was, and just how important that would 2 one day be to the rest of the world.</p> <p>3 JON RUSSELL: But I mean -- I mean, how do you 4 get that intel? Do you have to come over here? You have 5 to send teams here? Is it just from Tencent? Is it 6 reading, you know, Tech Crunch, perhaps, as well? Like, 7 where do you get that intel from?</p> <p>8 TED LIVINGSTON: I think part of it is our own 9 vision of where the future is going. You know, we've 10 been in chat for eight and a half years now. I recently 11 turned 30. I was 22 when I started Kik.</p> <p>12 JON RUSSELL: Ancient.</p> <p>13 TED LIVINGSTON: Ancient now. Yeah, I'm 14 officially a middle-aged entrepreneur apparently, my 15 brother tells me. But I think, like, when we come and 16 meet with WeChat, it's really about, they've had a lot of 17 experience here, they've had a huge success. And it's 18 really about learning, you know, how did you do this 19 feature, or how did you get this type of service going? 20 And they've been super helpful with that. You know, you 21 can get on the call, and you can talk to people who have 22 thought about chat just as much as you, or, you know, 23 more, obviously, in certain places. And that's been 24 really helpful.</p> <p>25 JON RUSSELL: One thing we haven't done is ICO,</p>	<p style="text-align: center;">Page 9</p> <p>1 monetize in the Western world. You know, we're competing 2 with these big companies that have huge scale, and so do 3 all their monetization through advertising. We don't 4 have the scale or the data to be able to compete with 5 them for that. And then they go ahead and give 6 everything else away for free.</p> <p>7 JON RUSSELL: So you're talking about which 8 company here?</p> <p>9 TED LIVINGSTON: Well, I'm sure you could 10 guess. You know, there's one --</p> <p>11 JON RUSSELL: Begins with an F, right?</p> <p>12 TED LIVINGSTON: Yeah.</p> <p>13 JON RUSSELL: Facebook, maybe?</p> <p>14 TED LIVINGSTON: Yeah --</p> <p>15 JON RUSSELL: Okay.</p> <p>16 TED LIVINGSTON: So -- and, so for us, like, a 17 cryptocurrency says, hey, instead of building a community 18 to try to sell their attention to advertisers -- instead 19 of building a community to try to sell them virtual or 20 physical goods, what if you -- instead, you just built a 21 community to bring a community together; to bring people 22 together to provide value to each other?</p> <p>23 So maybe now, as a customer on Kik, you could 24 get paid for hosting a great group chat, and then you 25 could pay to join a great group chat. You could create</p>

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1 and sell a great sticker, and then you could buy a great
 2 sticker. Could we really turn Kik into an economy? And
 3 if we could do that, and we could base it on a
 4 cryptocurrency by setting some of that cryptocurrency
 5 aside for ourselves, as the value of that cryptocurrency
 6 grew, the value of our -- in this case, 30 percent of the
 7 cryptocurrency -- would grow, and it would be a
 8 fundamentally new way to monetize the consumer company.

9 JON RUSSELL: Okay. That sounds good. So --
 10 so how do I get into the ICO? If I wanted to -- I mean
 11 -- I mean, I'm not going to buy it, obviously, because
 12 that would be a bit weird if I bought it. But, I mean,
 13 how would anybody else in -- in the audience get into the
 14 ICO?

15 TED LIVINGSTON: So, we're going to sell 10
 16 percent, and the cryptocurrency is called Kin. And I can
 17 explain that later.

18 JON RUSSELL: Kin, okay.

19 TED LIVINGSTON: Kin, K-i-n. Which really
 20 comes from this idea of, like, fellowship and family, and
 21 all working together. And that's the bigger vision of
 22 this cryptocurrency, is, we're going to use Kik to launch
 23 it, but one day we want it to expand beyond Kik, and to
 24 thousands, if not ten thousand -- tens of thousands of
 25 other digital services.

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1 users, Kin will automatically on day one become the most
 2 used cryptocurrency in the world.

3 And people are really excited about that.
 4 People say, you know, I'd love to buy a bunch of Kin,
 5 because it's going to be the most used cryptocurrency in
 6 the world. But we really want to make sure that we're
 7 being responsible; we're not being greedy, and so we are
 8 going to do a capped fund raise, which means we only take
 9 in so much. But we also want to do it in a fair way, so
 10 whoever wants to buy into it can get a chance to do that.
 11 And that's been a real problem with recent ICO's.

12 JON RUSSELL: Yeah -- no, right, it has been a
 13 real problem. And I guess though, like -- so, you -- you
 14 read these tweets and these headlines saying, like, well,
 15 you can raise \$100 million in, like, two minutes, or
 16 whatever. Like, is it easier to do an ICO? Or is it
 17 easier to raise money from investors, do you think?

18 TED LIVINGSTON: The way I think about ICO's
 19 right now is, it's very similar to the .com era. You
 20 know, when the .com --

21 JON RUSSELL: That didn't -- that didn't go
 22 good, right? The .com era --

23 TED LIVINGSTON: So, this -- (Laughs). I don't
 24 know, you -- like, we should go ask the founders of
 25 Google and Amazon the .com era went.

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1 And so we're going to be selling 10 percent of
 2 all Kin that will ever exist later this summer, and so
 3 there'll be a presale component to that, which is pretty
 4 much done. And then there'll also be a public token
 5 distribution event as well.

6 JON RUSSELL: So, there have been some crazy
 7 things, like, one company raised \$35 million in a minute
 8 -- or, no, no, under a minute, right? One company last
 9 week raised \$150 million -- I mean, how much are you
 10 trying to raise? What's the target that you need at this
 11 point?

12 TED LIVINGSTON: We're going to be announcing
 13 that later this summer.

14 JON RUSSELL: You mean you can't say now on
 15 stage, in front of --

16 TED LIVINGSTON: I can't -- I can't say now on
 17 stage --

18 JON RUSSELL: -- an audience of people who
 19 want to know?

20 TED LIVINGSTON: I think the key thing we're
 21 trying to figure out is, what is the right amount of
 22 money? Because I think the really exciting thing about
 23 Kik, the messenger, and Kin, is that, by creating Kin,
 24 this new cryptocurrency, and integrating it into Kik, a
 25 service with millions and millions of monthly active

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1 JON RUSSELL: All right, okay, okay. Some of
 2 them did okay.

3 TED LIVINGSTON: You know, the reason I say
 4 it's like the .com era is, you know, the late 90s, there
 5 was a bunch of excitement, people made a bunch of money,
 6 people lost a bunch of money, but Amazon and Google came
 7 out of it. And I think we'll see something very similar
 8 with this cryptocurrency market, is, you know, there's a
 9 lot of excitement, and there is -- people are making a
 10 lot of money, and they are.

11 But at some point people will lose a lot of
 12 money. And we've already seen a couple crashes in the
 13 history of Bitcoin. But at the end of the day, I think
 14 we're going to see organizations the size of Google and
 15 Amazon, if not bigger, come out of it.

16 JON RUSSELL: I mean, so, the whole -- the
 17 whole process, right -- so everybody thinks an ICO is
 18 over very, very quickly, right? It's, like, a day, or
 19 five minutes, or whatever. But, I mean, what kind of --
 20 what kind of planning, you know, goes into that?
 21 Because, I mean, I -- I can imagine that it -- it takes a
 22 long time, right? It takes months and months of
 23 preparation. You have to meet people before you actually
 24 do it, right? So you've got to make sure you get
 25 investors who are going to put, you know, big amounts of

<p style="text-align: center;">Page 14</p> <p>1 money in, too, right?</p> <p>2 So, what -- maybe you can kind of -- I think 3 that you're sort of going through that -- that process 4 now. Can you -- can you give us some insight into -- 5 into how long it's taken to actually -- actually plan 6 this, and what you had to actually do?</p> <p>7 TED LIVINGSTON: Just like the .com, I think 8 the preparation is, you know, there's a wide range -- a 9 wide spectrum. You know, some people just have an idea; 10 they're announcing an ICO, and they're going for it --</p> <p>11 JON RUSSELL: Those are the dodgy guys, though, 12 right? Those are the guys you --</p> <p>13 TED LIVINGSTON: Yeah, and there's a lot --</p> <p>14 JON RUSSELL: -- don't put your money in.</p> <p>15 TED LIVINGSTON: There's a lot of those. And 16 you're like, no --</p> <p>17 JON RUSSELL: Right.</p> <p>18 TED LIVINGSTON: I'm not going to buy that 19 token.</p> <p>20 JON RUSSELL: So what have you been doing, 21 though? Like, I mean -- I mean, at what point did this 22 idea come to you?</p> <p>23 TED LIVINGSTON: So, this is actually something 24 we and thinking about, believe it or not, since 2011, 25 when we first saw Bitcoin, and we realized that for the</p>	<p style="text-align: center;">Page 16</p> <p>1 raise, like, \$50 million US, and you were like, damn, we 2 could -- we could easily do that? It was more like a 3 longer-term plan?</p> <p>4 TED LIVINGSTON: This is an idea we've been 5 thinking about and working towards for a very long time.</p> <p>6 JON RUSSELL: Hang on. But -- but you don't 7 own any -- any Bitcoin, right? Did you ever buy any 8 Bitcoin?</p> <p>9 TED LIVINGSTON: I didn't buy Bitcoin.</p> <p>10 JON RUSSELL: So you -- you knew about this for 11 how many years? Six years? And you never bought any 12 Bitcoin? Really?</p> <p>13 TED LIVINGSTON: So, I -- it's very hard for me 14 to buy something that I view as imperfect, or to hedge my 15 bet. I was actually at a small Bitcoin conference back 16 in January 2012, with, you know, Gavin, the lead 17 contributor on the Bitcoin, as a developer, you know, a 18 few other Bitcoin developers, a few VC's, and I think I 19 was the 13th person there. Like, it was a very small 20 event.</p> <p>21 And what I said was, Bitcoin on one side is 22 this amazing innovation in technology -- you know, 23 guaranteed the scarcity of a digital asset. But on the 24 other side, it's fundamentally flawed in that --</p> <p>25 JON RUSSELL: I bet they liked you for that,</p>
<p style="text-align: center;">Page 15</p> <p>1 first time ever, it was a technology that guarantee the 2 scarcity of a digital asset. So you could have a digital 3 asset, which meant it was really easy to move around, but 4 you could also guarantee that once it was created, there 5 would never be any more.</p> <p>6 And so we realized, wow, this could be a new 7 way to monetize a business. And so we wanted to see if 8 we could actually make that work. And that's when we 9 launched Kik Points, as you remember, in 2014, which is, 10 hey, if we -- could we create a digital currency, and 11 could we get millions and millions of people earning and 12 spending in this new digital currency?</p> <p>13 And so with Kik Points, we were able to do 14 that. We got millions and millions of people earning and 15 spending in Kik Points, and doing hundreds of thousands, 16 if not millions of transactions per day. On average, 17 more than three times the number of global Bitcoin 18 transactions would happen on Kik Points. And that's 19 really, I think, the thing that people are excited about, 20 is, not just, do we have all these users? Yes, we do. 21 But we've also proven that we can build an economy inside 22 Kik in the way that no other application has been able to 23 demonstrate.</p> <p>24 JON RUSSELL: So, there was no moment where you 25 saw, you know, some random company go out there and</p>	<p style="text-align: center;">Page 17</p> <p>1 right?</p> <p>2 TED LIVINGSTON: No, they -- they agreed. They 3 agreed.</p> <p>4 JON RUSSELL: Oh, they did?</p> <p>5 TED LIVINGSTON: So I said, listen, why would 6 anybody buy something in Bitcoin? It doesn't make any 7 sense to me. You know, I get paid in US dollars or RMB. 8 I've got to -- I've got to convert that to Bitcoin.</p> <p>9 JON RUSSELL: Sure, yeah. Yeah.</p> <p>10 TED LIVINGSTON: So then I buy something in 11 Bitcoin --</p> <p>12 JON RUSSELL: Yeah.</p> <p>13 TED LIVINGSTON: Then they've got to convert it 14 back to US dollars or RMB to pay their employees. Why 15 don't we just stay in US dollars or RMB? It makes no 16 sense. And so that's what we said, is, we need to figure 17 out a way to get millions of people earning natively in a 18 cryptocurrency. And if we could do that, we could change 19 the world.</p> <p>20 JON RUSSELL: And now's the time, huh?</p> <p>21 TED LIVINGSTON: Now is the time.</p> <p>22 JON RUSSELL: So what -- I mean, if you're -- 23 if you're pitching developers, how do you condense that 24 pitch? Because it's quite -- it's quite hard, because 25 it's not saying that -- there were no proven, you know,</p>

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1 examples at this point, right? So you're -- you're
 2 pitching them on a theory, right?
 3 TED LIVINGSTON: So, there's a couple phases to
 4 rolling out Kin, this new cryptocurrency. So, the first
 5 phase is to create the cryptocurrency, and to integrate
 6 it into Kik. And that on day one will make Kin the most
 7 used cryptocurrency -- one of, if not the most used
 8 cryptocurrencies in the world. And that's going to make
 9 Kin very valuable.

10 But the idea we had -- sort of a -- you know,
 11 recently -- six months ago, a year ago -- is, wait a
 12 second. If we could build this cryptocurrency, and if we
 13 can make it really valuable -- you know, so it's on the
 14 public markets, has a really high market cap -- what if
 15 we set a large portion of Kin aside -- you know, so 60
 16 percent of all this cryptocurrency that would ever be in
 17 existence -- and what if we took that, and we paid some
 18 of that out to developers every day?

19 So that every day, if you're a developer, and
 20 you integrate Kin into your digital service -- so now
 21 consumers have another place to go and earn and spend Kin
 22 -- you know, you're helping grow the size of the economy.
 23 And what if you got financially rewarded for doing that?

24 JON RUSSELL: Right, so --

25 TED LIVINGSTON: And so that's the final step,

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1 TED LIVINGSTON: Yeah. This -- this is the
 2 beautiful thing for Kik: it's also fundamentally a new
 3 way to monetize. So, for us, we're setting 30 percent of
 4 Kin aside for Kik, as a financial incentive for us
 5 basically to put this huge messenger into this ecosystem,
 6 and to get this whole ecosystem going. And so
 7 (indiscernible) -- you know, we -- our goal now is just
 8 to grow the value of Kin. The more we do that, the more
 9 the value of our 30 percent grows. And we're now looking
 10 at that as the fundamental way that we monetize this, you
 11 know, eight and a half years of work, and \$120 million
 12 invested.

13 JON RUSSELL: Right. But you -- so you've got
 14 that pool of Kin, that is how you make money -- and you
 15 have to offload that once in a while, right, to get
 16 capital back? Because, like, you can't pay your mortgage
 17 with Kin, right? Maybe you can. I don't know. Can you?

18 TED LIVINGSTON: Well, that's the beautiful
 19 thing with these cryptocurrencies, is, you know, they're
 20 immediately tradable. So on day one, Kin will go on to a
 21 bunch of exchanges where you can exchange it for other
 22 cryptocurrencies, or even other fiat currencies.

23 JON RUSSELL: Right, but that -- that pool of
 24 Kin that you've got, right, is obviously disappearing
 25 every -- every time that you have to take it out. So,

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1 and that -- that's what we think is really exciting.
 2 JON RUSSELL: So how would that work? So if I
 3 had, like, an app that people were just using, like it
 4 was a news reader app, say -- right, which is really
 5 very, very hard to make money from now, right? You've
 6 got to put ads in there. Then you could -- you could pay
 7 the -- the person based on how many people are using it?
 8 Essentially?

9 TED LIVINGSTON: Yeah, so that -- that's the
 10 beautiful thing. So all these developers out there --
 11 you know, and I know in the United States, for example,
 12 there's a huge problem -- just like for Kik, it's very
 13 hard for them to find a sustainable business model. It's
 14 very hard for them to do advertising, very hard for them
 15 to sell physical and virtual goods.

16 So now with Kin, and what we call the Kin
 17 Rewards Engine, they can say, wait, let's not do ads;
 18 let's not try to sell stuff. Let's just bring people
 19 together and get them to provide value to each other
 20 using this cryptocurrency, Kin.

21 JON RUSSELL: How do you make money, though,
 22 from this? Just --

23 TED LIVINGSTON: So --

24 JON RUSSELL: -- with all the Kin that you're
 25 -- you're sitting on at home, basically?

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1 how do you put more in? Do you do more ICO's, or you
 2 just buy more currency, and it appreciates? What's
 3 the --

4 TED LIVINGSTON: There'll be three blocks of
 5 Kin. One block will be the 10 percent we're selling this
 6 summer, one block will be the 30 percent set aside for
 7 Kik, and that will vest 10 percent per quarter for 10
 8 quarters. And then the third block will be the 60
 9 percent set aside for this not-for-profit Kin Foundation.
 10 So, for that 30 for Kik, as it vests into the market, we
 11 will be able to sell it on to the exchanges like anybody
 12 else, to fund operations, to provide a financial exit for
 13 employees and investors, really to do with whatever we
 14 want.

15 JON RUSSELL: Okay. But that -- my -- I mean,
 16 that's -- I don't know how much money you're going to
 17 sell, because you won't tell us here on stage, which is
 18 -- which is fine; that's your choice. But of that -- of
 19 that pool, though, I mean -- I mean, how long is that
 20 going to last you? Like, five years? ten years? Like,
 21 what -- because at some point it's going to go dry,
 22 right?

23 TED LIVINGSTON: At some point it will go dry,
 24 for sure. You know, the thing about a cryptocurrency is,
 25 once it's created, there will never be more. And so Kik

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1 will never have more than that 3 trillion tokens of Kin.
 2 And as we sell them into the market, we will -- the only
 3 way to get them back is to buy them back. And that's
 4 what makes cryptocurrencies really special.

5 But the -- the value of these cryptocurrencies
 6 can grow very quickly. And so our bet is, the more --
 7 you know, we sell a little bit into the market, that
 8 gives us funding. We can build some more around that --
 9 we can create value faster than we're selling the Kin
 10 into the market. So, for example, if, you know, we owned
 11 30 percent of Ethereum today, that would be worth \$10
 12 billion.

13 JON RUSSELL: That's quite a lot of money.

14 TED LIVINGSTON: That's quite a lot of money.
 15 That would be a good exit.

16 JON RUSSELL: (Laughs). Does that mean that
 17 you won't IPO at any point? Or get -- or get acquired?
 18 Because you -- you don't need to, right, if you have that
 19 -- that kind of cash on hand.

20 TED LIVINGSTON: This is one of the things that
 21 excited us so much about cryptocurrency, is it was not
 22 only a new way to monetize, not only a new way to get a
 23 bunch of people working together to build something
 24 bigger, but also a new way to exit. You know, we didn't
 25 really like the idea of having to sell Kik one day. We

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1 didn't really like the idea of having to go public one
 2 day.

3 And so now there's a third option, which, by
 4 creating a cryptocurrency, it's a fundamentally new way
 5 to exit. You know, one day we could take some of that 30
 6 percent and div it out -- dividend it out to all of our
 7 shareholders.

8 JON RUSSELL: So you mean that you're not going
 9 to IPO? Because you didn't really answer my question.
 10 It was a good answer though.

11 TED LIVINGSTON: I hope -- honestly, I -- I
 12 hope not. I hope it's not required. I hope this is a
 13 fundamentally new way to build a business.

14 JON RUSSELL: Okay. And what about investors?
 15 So, you know, tech investors get involved in companies
 16 early on, and they grow quickly. And as you said at the
 17 start, like, your company grew very, very quickly, right?
 18 The idea being that, you know, big company -- maybe,
 19 like, a Tencent star company might buy that -- that
 20 company. And obviously their -- their share that they
 21 bought then is worth a lot more now. Or you might IPO,
 22 and they might get their -- their cash back.

23 How do your investors feel about ICO? Are they
 24 -- are they very supportive, or they don't really have a
 25 choice, or what's the status of that? You can say,

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1 right?

2 TED LIVINGSTON: (Laughs). No, I -- you know,
 3 I think I can be honest. Which is, today, they are very
 4 excited. Six months ago, when we started pursuing this
 5 strategy full steam ahead, there were definitely some
 6 that were hesitant. You know, they were saying, wait a
 7 second, we're going to do what? Like, we've raised \$120
 8 million, we have a billion dollar valuation.

9 JON RUSSELL: That's not enough?

10 TED LIVINGSTON: And now you're telling me
 11 we're going to create a cryptocurrency? Like, what are
 12 we doing here? And I think that's where we've been very
 13 fortunate. We have -- one of our investors is this guy
 14 named Fred Wilson of Union Square Ventures, and has been
 15 very bullish in the cryptocurrency sector and the
 16 blockchain sector for a very long time.

17 And so he was really helpful to the company to
 18 explain to some of the other investors that this actually
 19 wasn't that crazy; that this actually might work. And
 20 that took some time. I mean, today it's obvious. You're
 21 -- you know, you see all these companies raising a bunch
 22 of money. But even six months ago it was actually
 23 unheard of.

24 JON RUSSELL: Yeah, but there haven't really
 25 been any sort of -- any sort of mainstream companies,

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1 right? They've all been very sort of tech-focused
 2 companies, like blockchain-focused companies, right? So
 3 -- so you guys are going to be one of the first that's
 4 raised a decent amount of money from, you know,
 5 traditional VC's, right, and has a decent presence in the
 6 consumer space, right?

7 TED LIVINGSTON: At Kik, we have a history of
 8 being first. You know, we're the first chat app to go
 9 viral in 2010, the first chat app to go on platform in
 10 2011, the first chat app in the Western world to launch
 11 bots in 2014. And, you know, we're the first chat app in
 12 the world to announce a cryptocurrency in 2017. So we
 13 have a history of being first.

14 But I think the thing that's most exciting
 15 about this is, in the past, all those other things were
 16 then copied. You know, we got -- we got copied when --
 17 then a bunch of messengers came out; we got copied. Then
 18 they all became platform. We got copied. They all
 19 launched bots. And as a smaller company, that's been
 20 hard for us to compete.

21 The exciting thing about this cryptocurrency
 22 is, it's going to be harder to copy. Because what it
 23 requires at the end of the day is for you to give up
 24 centralized control. So when we launch a cryptocurrency,
 25 we're saying, hey, we're going to use Kik to launch this.

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1 But once this happens, it's out of our hands. Yes, we
 2 hold that 30 percent of value for ourselves, but where
 3 this cryptocurrency goes, how it gets used outside of
 4 Kik, that's up to the market. And it just sort of
 5 spreads. And so we lose control of it by design.

6 JON RUSSELL: What about Kin, though? So you
 7 have -- you have a separate team that's running the --
 8 the Kin cryptocurrency, right? Are you involved in that
 9 in any way?

10 TED LIVINGSTON: So we are setting up the Kin
 11 Foundation, which is meant to be this not-for-profit
 12 independent group, overseeing the growth of this
 13 ecosystem. And, initially, Kik will play a large part in
 14 getting that foundation going. But over time, this
 15 foundation will become completely autonomous, and
 16 completely decentralized, such that it itself is just an
 17 entity that's running on the blockchain. So that not
 18 only does Kik not control it, but nobody controls it. It
 19 becomes almost like a new Internet.

20 JON RUSSELL: That sounds kind of dangerous --
 21 uncertain, right? Or exciting, perhaps.

22 TED LIVINGSTON: Oh, for me it's exciting.

23 JON RUSSELL: (Laughs).

24 TED LIVINGSTON: It's amazing.

25 JON RUSSELL: So do you think that other --

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1 TED LIVINGSTON: Eight and a half years.
 2 JON RUSSELL: Eight and a half years old. Are
 3 you going to keep doing Kik, or are you going to find
 4 something else to do post-ICO? Because once you've done
 5 the ICO and you've got all that cash and everything else
 6 sorted, the company's in a pretty good place, right?

7 TED LIVINGSTON: This is the culmination of,
 8 like, the dream of -- that we've always had. You know?
 9 I think the cool thing about a cryptocurrency is, on one
 10 side you can have something that's completely open and
 11 decentralized, that nobody controls, but on the other
 12 side, you can also make a lot of money. And when in
 13 history could you have both these things, both open, and
 14 have this huge financial reward?

15 And so now it's, for me, the most exciting time
 16 in Kik's history. And so now this is the time to really
 17 lean in and make this vision happen. So I'm -- I'm
 18 excited to be here.

19 JON RUSSELL: Awesome. Okay, Ted, thank you so
 20 much for your time.

21 TED LIVINGSTON: Thank you for having me.

22 (Applause.)

23 (End of audio.)

24 * * * * *

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1 other companies are going to be, you know, following your
 2 -- your lead in doing ICO's too, beyond the sort of --
 3 the sort of deep tech, and blockchain space that we're
 4 seeing right now?

5 TED LIVINGSTON: I think for sure. Like, I
 6 think this is -- you know, it's become hard to compete --
 7 it's become hard to build a business, to compete with
 8 these huge companies. And cryptocurrencies provide a new
 9 answer for how you can do that. And so, because of that,
 10 I think a lot of people are going to launch their own
 11 cryptocurrencies.

12 But the question we're asking ourselves is, how
 13 can we set up our cryptocurrency such that when other
 14 companies are saying, hey, should we follow Kik -- should
 15 we launch our own cryptocurrency, or should we join Kik,
 16 and should we try to help build Kin -- we're trying to
 17 set it up that people can say, if we join Kik, and we
 18 join Kin, we can just make more money. And so let's work
 19 with them and build this bigger ecosystem together, where
 20 we all win.

21 JON RUSSELL: Okay. I think we're almost out
 22 of time. But I've got one more question for you, of
 23 course, right? So, after this ICO -- and, you know,
 24 you've been doing chat for a long, long time, right? The
 25 -- the company is -- is how old?

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 2 transcript is a complete, true and accurate transcription
 3 of all matters contained on the recorded proceedings in
 4 the matter of:
 5 KIK INTERACTIVE.

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 7 Transcriber
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